

and mechanisms for finance are just not there.

In this regard, the European Community is providing a small amount of light. Although modest aid is being given through its Phare programme – around Ecu 750 million in 1992 for all countries except the USSR and across all sectors (about Ecu 5 million per country for energy in 1991) – the money is being carefully targetted to produce maximum effect: technical assistance on policymaking and investment analysis; short-term management assistance; interconnection studies as well as the more politically-oriented projects for nuclear safety and environment enhancement. Speaking for the Commission, M. Franco said much of the energy programme's aim was to help the East European nations ready themselves for the arrival of other, commercial Westerners with larger sums of money.

EC initiatives were much in evidence throughout the conference. The Energy Charter, or so-called Lubbers plan after Dutch Prime Minister Ruud Lubbers who originated the scheme, was outlined by senior Commission official, Clive Jones. This aims to bring East and West European countries together in a code of conduct within which a number of important protocols would be signed by the Charter's members. Although many speakers supported the initiative, it was especially interesting to hear how favourably the Soviets are reacting to it. Discussion among the Western speakers largely focused on whether non-European states such as the USA and Japan should be invited to join the Charter.

Finally, it is worth noting that when discussing internal Community energy policies, the Commission's plans to introduce open access for third party consumers of gas and electricity are a focus of much debate. Several speakers from the producer utilities took the opportunity to criticize the Commission's plans on the grounds of security of supply and the high cost of infrastructure finance.

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Book reviews

Palliatives are not without use

THE GULF CRISIS: Energy & Regional Security Ramifications

Centre for Global Energy Studies, London, 1990, 228pp

The Gulf Crisis is an unusual book. It contains a verbatim record of the proceedings of the conference held on 8–9 October 1990 in London by the Centre for Global Energy Studies (CGES), which had been founded that year by Sheik Ahmed Zkai Yamani, long-time Saudi oil minister and one of the truly historic – if controversial – figures of the world oil industry in the post-war period. The conference was studded with prominent names whose quoted formal and informal comments and responses give a rare insight into their thinking. The conference was held only nine weeks after the invasion of Kuwait when prices had just risen to their \$40 crisis peak. Reading the proceedings now, five months after the end of the crisis following the withdrawal of all Iraqi forces and Iraq's renunciation of all claims on Kuwait, one does not feel that this is an obsolete exercise, overtaken by events. Quite the contrary, one is struck by the perspicacity and continued relevance of most comments.

One major subject of debate was the use of government-held strategic reserve stocks (SPR) to alleviate the explosive price increase. Not surprisingly, Helga Steeg, Executive Director of the International Energy Agency (IEA), was the most eloquent opponent of any SPR release at that time. Steeg viewed the doubling of the crude oil price as the market's reaction to 'the political uncertainty' created by the crisis, not to a physical shortage which she argued would be the only justification for the release of emergency stocks. Peter Holmes, Chairman of Shell Transport and Trading, agreed with Steeg. In his view about \$15 of the then-prevailing

\$40 price was not due to a shortage but was 'really a war premium'. Absent a war, he saw prices declining towards \$25, even while Operation Desert Shield (as opposed to Operation Desert Storm) continued. Arne Oien, former Norwegian Minister of Energy, also argued against the use of government emergency stocks at this time 'as long as there is a real danger of war in the Gulf area.'

On the opposite side of the issue was Conference Chairman Sheik Yamani whose two principal concerns were: 1) the negative long-term impact of the current high prices on future OPEC, particularly Middle East, oil sales; and, 2) the short-term negative economic impact of the current high prices on Third World importing countries. He was supported by BP Chairman Robert Horton who, after expressing the industry's traditional opposition to any government attempts to manage the market on a long-term basis, thought that at this particular moment a short-term intervention by the US government by releasing some oil from its SPR was 'a good idea'.

Since about 60% of the IEA's strategic reserves are located in the USA, the view of US participants at the conference on this issue is of special interest. Former Secretary of Energy James R. Schlesinger agreed with Steeg that the SPR should not be drawn down at this time, but not, as Steeg had argued, because the price increase was brought on by political rather than economic factors. Rather, he thought that the SPR *volume* was too small to permit a drawdown, requiring instead the husbanding of stocks for the eventuality of a military damage to the Saudi oil producing facilities. If the SPR contained two billion barrels (instead of 580 million), as Schlesinger had advocated when he was Secretary of Energy, he would have favoured the use of some of this

oil to help bring prices down. Assistant Secretary of Energy John Easton also thought both sides had a case: 'The U.S. position prior to this crisis had always been that we would use our SPR early in large quantities to mitigate economic damage in concert with our allies. The first thing I found out was that the allies in the IEA governing board looked at the crisis a bit differently. At the very first meeting, they saw the glass as half full; we saw it as half empty.'

Looking back on the debate from today's vantage point, there is no doubt that a public decision to offer the market some of the emergency stocks controlled by IEA governments would have lowered world oil prices significantly. On the other hand, the situation was so confounded and unpredictable last October and the possibility of further supply disruptions real enough to argue for postponement of an SPR drawdown at the time.

Another main issue discussed at the conference was a formal producer-consumer dialogue at government levels. Here, the conference participants were rather prescient. By and large, the industry as well as most

consuming governments had viewed such a cooperation as quite distant and not particularly useful last October. Yet, only nine months later the first such dialogue did take place in Paris and was termed a success by most participants. In retrospect, it seems that much of the ground work for the Paris conference was laid at the CGES conference in October 1990. The enthusiasm for such a dialogue was clearly stronger among the producing than the consuming nations, a distinct reversal from the North-South dialogue of the 1970s. Both IEA Director Steeg and Former Energy Secretary Schlesinger warned that not much substantive action could be expected from such a dialogue. However, as Schlesinger pointed out, 'even though (producer-consumer) cooperation . . . can only be a palliative, . . . palliatives are not without use.' A wise quote on the relation between image and substance.

The conference was followed about a month later by an equally star-studded Round Table Discussion in which many of the conference speakers participated. The summary of that discussion contains some questionable

conclusions, not only in hindsight but also as they were pronounced. The summary says that 'a war would be a political disaster for George Bush' because time is not on America's side, regarding the military option. 'By the time that (U.S.) military build-up is complete, the political underpinning would have gone.' The US military establishment clearly did not share this view last November. However, Saddam Hussein apparently believed it. The summary also states that the desired objective of long-term price stability 'requires a commitment amongst the producers to regulate their production, together with a commitment from the consumers to adjust their strategic and commercial stocks when there is a drop in the price of oil.' The second of these proposals – in effect an international buffer stock system – remains as unlikely today as it was last November.

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Spanish energy policy overview

POLICY STABILITY AND DEMOCRATIC CHANGE: Energy in Spain's Transition

Thomas D. Lancaster

The Pennsylvania State University Press, University Park and London, 1989, 238 pp, £26.15

Since the death of Franco, the Spanish transition to democracy has been a theme which has attracted the attention of a great number of researchers. Little, however, has hitherto been published about the Spanish energy situation so that Thomas Lancaster's book *Policy Stability and Democratic Change; Energy in Spain's Transition* now adds a useful contribution to the literature.

The main underlying hypothesis of

the book is that Spain's gradual transition to democracy left intact the prevailing economic structures as there was no radical economic reform. This, it is argued, explains the continuity in economic – including energy – policy during the transition and thereafter.

In order to demonstrate this, Lancaster has analysed Spanish energy policymaking during the Franco regime and the subsequent transition to democracy. After a comprehensive overview of economic policymaking in the Franco era and an outline of the Spanish energy situation, he considers the evolution of formal energy policy in its economic and political setting. This includes the National Energy Plans of 1975, 1979 and 1982 and the continuing – though changing – intervention of the state through its departments and agencies. This is fol-

lowed by a more detailed analyses of the use of several policy instruments before and after the transition, ie the pricing of fuels and electricity, investments in the development of nuclear energy and the integration of the various state participation in the oil sector by the creation of the Instituto Nacional de Hidrocarburos in 1981. He assesses the influence of political parties and pressure groups on the formulation of energy policy and the influence of the IEA in promoting the status quo of Spain's energy planning.

From this analysis, Lancaster concludes that there was a strong continuity in energy policy over the whole Franco and post-Franco period essentially because the 'business community' (a group of bankers and industrial managers which played the main role in economic policymaking in Franco's Spain through its links with both the government and the energy industry) was able to maintain its influential position after the transition.